

Department of Budget and Management
Office of Information Technology (OIT)
Fiscal Year 2005 Operating Budget

Senate Budget & Taxation Committee – March 2, 2004
The Honorable Ulysses Currie, Chair

House Appropriations Committee – March 8, 2004
The Honorable Norman H. Conway, Chair

INTRODUCTION

The Department of Budget and Management (DBM) appreciates this opportunity to update the fiscal committees on the activities of the Department's Office of Information Technology functions and to respond to the issues raised and recommendations contained in the analysis prepared by the Department of Legislative Services (DLS).

This document contains the following information:

- Highlights of the Department of Budget and Management's Office of Information Technology key accomplishments of the past year;
- The Department's response to the DLS recommendations; and
- Responses to other issues and updates addressed in the DLS analysis.

KEY ACCOMPLISHMENTS

- Re-competed 20% of the States existing statewide information technology contracts and re-negotiated others leading to substantial cost reductions and cost avoidance.
- Implemented statewide information technology security policies, practices, and training. Guided agencies statewide to develop IT rapid-response disaster recovery plans.
- Through the Governors Task Force For Affordable Broadband Service in Rural Maryland, encouraged industry to accelerate the introduction of Digital Subscriber Line (DSL) service, and to restructure Asynchronous Transfer Mode (ATM) broadband pricing in rural Maryland. ATM broadband service now costs the same in rural Maryland as in the population centers.

- Established a new Maryland Telephone Relay service for citizens that have speech but are unable to hear.
- Developed a department Continuity Of Operations Plan (COOP) and successfully tested it with the Maryland Emergency Management Administration (MEMA)
- Accelerated the build out of networkMaryland. There are now Points of Presence (POP) in eight counties. Of the forty-eight agencies that can use networkMaryland for Internet services, 50% (24) are using the network, and 35% (17) are in transition or planning their transition.

Plans for FY 2005

- **Develop Enterprise Architecture:** A solicitation is in process for consulting services to develop a target technology architecture for the State. The goal is to complete the framework for this architecture by the end of calendar year 2004 and the full architecture by the end of FY 2005.
- **Accelerate the Completion of networkMaryland:** The network plan has a point of presence in all twenty-four jurisdictions by the end of calendar year 2005. Early in FY 2005, the nine Eastern Shore counties will be in service. Commercially leased services will continue to be migrated to the network. The Department also plans to use the network for a telemedicine trial in rural areas and to assist incubator companies in their start up phase.
- **Continue the Re-competition of Information Technology Contracts:** The re-competition of information technology contracts produces costs savings while simultaneously updating the technology available to agencies, counties and municipalities. The goal is to re-compete at least 30% of the contracts in FY 2005.
- **Implementation of Statewide Standards:** In consultation with other agencies, develop information technology standards for key technologies.
- **Increase Major Technology Project Oversight:** Through the Information Technology Advisory Council (ITAC) improve the System Design Life Cycle (SDLC) process to include business process analysis as the first step of a project, early and frequent user acceptance testing, multiple Independent Verification and Validation (IV&V) evaluations and peer review.

RESPONSE TO DLS RECOMMENDATIONS

Summary of DBM Positions

DLS Recommendations	Amount	DBM Position
1. Add language reducing funding for contractual positions in Telecommunications	\$100,000	Oppose
2. Add language reducing cellular telephone costs by \$1,100,000 across all State Agencies		Partially Concur. Modify to \$600,000
3. Reduce level of funding from fiscal 2002 funds that can be used for fiscal 2005 expenditures	\$210,000	Partially Concur. Modify to \$140,000
4. Request State Chief Information Officer to provide blue print for information technology oversight		Concur. Request Final Report Date of 12/31/04
5. Add language approving funding for specified projects through the Major Information Technology Project Development Fund		Concur
6. Reduce CHESSIE lease payment funds	\$46,319	Oppose
7. Reduce funding for race-based traffic stop data collection to reflect a delay in implementation	\$700,000	Oppose
8. Adopt narrative requesting information on the provision of information services over the Internet		Concur

DEPARTMENT OF BUDGET & MANAGEMENT RESPONSES

DLS Recommendation 1: Add language reducing funding for contractual positions in Telecommunications

DBM Response: Oppose. These contractual positions are for engineers needed to support the rollout of networkMaryland in FY 2005 and for support of networkMaryland in FY 2006 and beyond. Of the 8 current vacancies, 4 are either filled or are in the process of being filled and the remaining 4 will be filled. None of the unfilled positions are associated with networkMaryland.

DLS Recommendation 2: Add language reducing cellular telephone costs by \$1,100,000 across all State Agencies.

DBM Response: Partially Concur. Section 36 of the 2003 JCR required DBM to create a new statewide subobject for cell phone expenditures effective for FY 2003. This resulted in the need for agencies to estimate their FY 2003 actual expenses. Several agencies did not begin to use this subobject during FY 2003. For these reasons the FY 2003 estimation was understated by approximately \$471,000. DBM agrees to a reduction of \$582,000. This reduction should be inclusive of all other agency reductions for this subobject.

	DLS Analysis	DBM Analysis	
FY 2003 Actual Expenses	\$4,582,280	\$5,052,963	¹
Minus: Annual Savings from new Statewide Contract	\$1,000,000	\$1,000,000	
Target FY 2005 Statewide Budget	\$3,582,280	\$4,052,963	
FY 2005 Statewide Allowance	\$4,634,952	\$4,634,952	
Estimated Available Reduction	\$1,052,672	\$581,989	

¹ 14 Agencies or Offices did not charge FY 2003 cellular expenses to the newly established subobject. The total FY 2005 requested allowance amounts for these units equal \$470,683.

DLS Recommendation 3: Reduce level of funding from fiscal 2002 funds that can be used for fiscal 2005 expenditures.

DBM Response: Partially Concur. DBM has or will expend \$70,000 of these funds during FY 2004. DBM agrees with a reduction of \$140,000.

DLS Recommendation 4: Request State Chief Information Officer to provide blue print for information technology oversight.

DBM Response: Concur. DBM will create a preliminary blueprint by October 1, 2004, but requests a change of due date for the final report to December 31, 2004. A procurement for the development of a statewide technical architecture framework will be completed in FY 2004. The framework will be developed during the first half of FY 2005 and will be part of the overall blueprint.

DLS Recommendation 5: Add language approving funding for specified projects through the Major Information Technology Project Development Fund.

DBM Response: Concur.

DLS Recommendation 6: Reduce CHESSIE lease payment funds.

DBM Response: Oppose. The lease costs presented by the Department of Human Resources at the 2/24/04 CHESSIE budget hearing were based on the Federal Fiscal Year (FFY). The FY 2005 MITDPF request, based on the State Fiscal Year (SFY), includes an additional \$46,913.

DLS Recommendation 7: Reduce funding for race-based traffic stop data collection to reflect a delay in implementation.

DBM Response: Oppose. This project was temporarily delayed in consideration of organizational changes and to confirm the direction of the effort. The Maryland State Police plan to expend the combined project funding for FY 2004 (\$1,082,783) and FY 2005 (\$295,100) by the end of FY 2005.

DLS Recommendation 8: Adopt narrative requesting information on the provision of information services over the Internet.

DBM Response: Concur.

ISSUES AND UPDATES:

1. Program Management

DLS Recommendation: DLS recommends that the State CIO report back to the committees with a blue-print for how the State should manage its IT, what management role OIT should play, what resources are necessary for OIT to fulfill that role, and any specific actions that need to be taken with a time-line for implementation. The assessment should specifically reference the 2002 IT program oversight reform plan as a starting point for discussion.

DBM Response: Concur. OIT will prepare a program management blueprint, which will address IT governance, IT staffing and project management. In the interim, we will continue to use structured methodologies for assessing project risks and success factors that have previously been developed and implemented. Qualified contractors are used to perform independent verification and validation (IV&V) analyses of large projects. OIT staff carries out assessments of selected major IT projects. OIT has also developed a program of careful review, approval and monitoring IT contracts and task orders.

2. Interagency Agreements

DLS Recommendation: DLS recommends that language be added to the budget reconciliation legislation so that effective July 1, 2004, all such inter agency agreements over \$200,000 shall be approved by the Board of Public Works.

DBM Response: Oppose. The recommendation has significant implications beyond IT. There are a substantial number of interagency agreements each year. The agreements cover numerous situations such as the shared use of various State assets. Memoranda of Understanding (MOUs) in excess of \$100,000 are reported to the budget committees and published in the Maryland Contract Weekly.

3. Internet Services

DLS Recommendation: DLS recommends that the committees adopt narrative requesting DBM define those services and the information that it believes citizens want to be available on-line and the extent to which each agency is currently providing those services and information over the Internet.

DBM Response: Concur. DBM agrees to conduct a survey of the extent to which each agency is providing services via the Internet. DBM actively supports development of transactional web services. Maryland.gov portal usage has increased by 56% over the last year and more than 200,000 visitors now access services electronically through the state portal each month.

4. Audit & Settlement

DLS Recommendation: DBM should be prepared to comment on the level of financial settlement made with the contractor for networkMaryland given the financial impact estimated by the audit

DBM Response: The financial impact of the audit was substantially overstated. For example, because the Contractor could not provide complete documentation for time billed to State matters, the auditor disallowed **ALL** charges made by the contractor for time and material tasks. Similarly, because some of the individuals assigned by the contractor did not meet the specifications of the contract, the auditor disallowed **ALL** of the Contractor's charges for labor on time and material tasks. The disallowance under the first two findings included some of the same charges.

After substantial negotiations between the Contractor and the Department, the parties settled all issues under the audit. The Department believes that the settlement amount was appropriate based on the response of the Contractor to the audit and the State's own analysis of the audit and State records.

There was no allegation that the work performed by the Contractor was unsatisfactory. The dispute related solely to billing issues.

During the subsequent procurement, the Contractor was awarded the contract to continue the management of networkMaryland based on the selection criteria specified in the Request for Proposal. The award was approved by the Board of Public Works.